

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 FEA-01 INT-05 L-03 ABF-01 PA-01
PRS-01 /093 W
-----200104Z 088751 /73

R 191640Z MAY 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 1472

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E.O. 11652: N/A
TAGS: ECON, PO
SUBJ: ECONOMIC DEVELOPMENTS -- REACTION TO PARIS
CONFERENCE

SUMMARY: REACTION IN LISBON TO PARIS CONFERENCE ON FINANCIAL
ASSISTANCE TO PORTUGAL HAS BEEN MUTED AND ALONG PARTY LINES.
THE LEGISLATIVE ASSEMBLY HAS GIVEN THE GOP AN ADDITIONAL
MONTH TO PRESENT ITS MID-TERM INVESTMENT PLAN. AN
INTERNATIONAL BANKING CONSORTIUM HEADED BY DILLON READ
OVERSEAS CORPORATION WILL PROVIDE \$50 MILLION IN FINANCING
FOR THE MAMMOTH SINES INDUSTRIAL COMPLEX. END SUMMARY.

1. REACTION TO PARIS CONFERENCE: THE MAY 14-16 PARIS
CONFERENCE ON MULTILATERAL FINANCIAL ASSISTANCE TO PORTUGAL
WAS LARGELY OVER-SHADOWED HERE BY THE OUTBREAK OF SEPARATIST
VIOLENCE IN THE AZORES AND VICE PRESIDENT MONDALE'S VISIT TO
LISBON. PRESS COVERAGE WAS LIMITED AND FOLLOWED PARTISAN
LINES. UNDER THE TITLE "LOAN TO PORTUGAL REMAINS TO BE
DECIDED," THE GOVERNMENT-LINING "DIARIO DE NOTICIAS"
GAVE A STRAIGHTFORWARD ACCOUNT OF THE MEETING AND
REPORTED THAT A SECOND CONFERENCE WOULD TAKE PLACE AT
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A DATE YET TO BE DETERMINED. THE CENTER-RIGHT "O
TEMPO" TERMED THE MEETING "INCONCLUSIVE" BUT NONETHE-
LESS "CONSTRUCTIVE." THE TITLE OF THE COMMUNIST
"O DIARIO'S" MAY 18 REPORT -- "EEC REFUSES 'GIANT LOAN'
TO PORTUGAL" -- SUMMED UP ITS VIEWPOINT.

2. MID-TERM PLAN EXTENDED: THE ASSEMBLY OF THE

REPUBLIC HAS AGREED TO EXTEND FOR ONE MONTH THE MAY 15 DEADLINE FOR PRESENTATION OF THE GOVERNMENT INVESTMENT PLAN FOR 1978-1980. DURING A MAY 18 MEETING WITH REPRESENTATIVES OF ASSEMBLY PARLIAMENTARY GROUPS, GOP MINISTERS SOUSA GOMES (PLANNING), CAMPINOS (WITHOUT PORTFOLIO), AND ALMEIDA SANTOS (JUSTICE) REPORTEDLY EXPLAINED DELAYS WHICH HAVE ARISEN IN THE PREPARATION OF THE PLAN AND COMMITTED THE GOVERNMENT TO A JUNE 15 DEADLINE. GOP SPOKESMEN HAVE PUBLICLY STATED THAT THE PLAN IS ALL BUT COMPLETE, WITH ONLY MINOR DETAILS TO BE RESOLVED BEFORE SUBMISSION TO THE FULL COUNCIL OF MINISTERS AND FORWARDING TO THE ASSEMBLY FOR APPROVAL.

3. FINANCING FOR SINES: AN INTERNATIONAL BANKING CONSORTIUM HEADED BY DILLON READ OVERSEAS CORPORATION HAS AGREED TO PROVIDE \$50 MILLION IN FINANCING FOR THE MAMMOTH SINES PORT-PETROLEUM REFINING/PETROCHEMICAL COMPLEX WELL UNDER WAY IN SOUTHERN PORTUGAL. UNDER THE TERMS OF A CONTRACT SIGNED MAY 16 IN LONDON, THE CONSORTIUM WILL PURCHASE 5-YEAR FLOATING RATE NOTES TO BE ISSUED BY THE SINES DEVELOPMENT AUTHORITY. THE GOP WILL GUARANTEE THE NOTES. OTHER INSTITUTIONS PARTICIPATING IN THE CONSORTIUM ARE: ALGEMENE BANK NEDERLAND; BANQUE NATIONALE DE PARIS; SAMUEL MONTAGU AND CO. LTD; AMEX BANK LTD; BERLINER HANDELS UND FRANKFURTER BANK; AND ORION BANK LTD.

4. SOARES CONSULTS EFTA: PRIME MINISTER SOARES WAS LIMITED OFFICIAL USE

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IN VIENNA MAY 11-14 TO DISCUSS WITH PORTUGAL'S EFTA PARTNERS THE IMPLICATIONS OF ITS APPLICATION FOR EC MEMBERSHIP. SOARES STATED BEFORE HIS DEPARTURE THAT PORTUGAL WOULD LEAVE EFTA ONLY AFTER BECOMING A FULL EC MEMBER. ON HIS RETURN TO LISBON, SOARES ASSURED THAT THE EFTA MINISTERS HAD SHOWN A COMPLETE UNDERSTANDING OF PORTUGAL'S POSITION.

5. METALWORKERS STRIKE: A FOUR-HOUR WORK STOPPAGE CALLED BY THE COMMUNIST-DOMINATED METALLURGICAL WORKERS FEDERATION MAY 13 TO PROTEST DELAYS IN CONTRACT NEGOTIATIONS SHOWED MIXED RESULTS. STOPPAGE IN THE LISBON INDUSTRIAL BELT WAS NEARLY COMPLETE; IN THE REST OF THE COUNTRY STOPPAGES WERE PARTIAL, AROUND 60 PER CENT. AMCONSUL OPORTO NOTED THAT TIMING OF STRIKE FOR FRIDAY AFTERNOON AND PLEASANT WEATHER HAD CONTRIBUTED TO EFFECTIVENESS OF STRIKE. METALLURGICAL WORKER ACTION WAS THE FIRST SIGNIFICANT LABOR DISRUPTION IN OVER ONE MONTH.

6. COLOR TELEVISION REJECTED: CITING INCOMPATABILITY WITH ITS ECONOMIC RECOVERY PROGRAM AND WITH ITS CALLS ON THE PORTUGUESE PEOPLE TO CONSUME LESS, THE GOP ANNOUNCED MAY 18 IT HAD DECIDED AGAINST BRINGING COLOR TELEVISION TO PORTUGAL FOR AT LEAST TWO YEARS. THE GOP DECISION BANNED EVEN EXPERIMENTAL COLOR TRANSMISSIONS. NUMEROUS EUROPEAN FIRMS, NOTABLY THE FRENCH, HAD SHOWN GREAT INTEREST IN OBTAINING RIGHTS TO SET UP COLOR FACILITIES IN PORTUGAL.

7. EXCHANGE RATE: LISBON CHECK BUY RATE CLOSED MAY 18 AT 36.583 ESCUDOS EQUALS ONE DOLLAR.

8. COMMENT: CONTRARY TO GOP PUBLIC ANNOUNCEMENTS, WE UNDERSTAND THAT MAJOR DIFFERENCES REMAIN TO BE RESOLVED BEFORE THE MID-TERM PLAN CAN BE PRESENTED TO THE ASSEMBLY. LIMITED OFFICIAL USE

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EVEN IF THE PLAN IS PRESENTED ON TIME, HOWEVER, A SPECIAL SESSION OF THE ASSEMBLY WOULD BE NECESSARY TO ACT ON IT -- THE ASSEMBLY RECESSES FOR THE SUMMER ON JUNE 15.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING REPORTS, FINANCIAL AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 19-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON04012
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770179-0706
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770540/aaaabidm.tel
Line Count: 144
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: aa395e90-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2456302
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS -- REACTION TO PARIS CONFERENCE SUMMARY: REACTION IN LISBON TO PARIS CONFERENCE ON
TAGS: ECON, PO
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/aa395e90-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009